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RUEHBY/AMEMBASSY CANBERRA PRIORITY 2543
RUEHMO/AMEMBASSY MOSCOW PRIORITY 2155
RUEHFR/AMEMBASSY PARIS PRIORITY 6003
RUEHUL/AMEMBASSY SEOUL PRIORITY 8106
RUEHFK/AMCONSUL FUKUOKA PRIORITY 6486
RUEHNH/AMCONSUL NAHA PRIORITY 8880
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 0154
RUEHKSO/AMCONSUL SAPPORO PRIORITY 7090
RUEHIN/AIT TAIPEI PRIORITY 6923
RHMCSUU/DEPT OF ENERGY WASHINGTON DC PRIORITY
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SUBJECT: INPEX OFFICIAL DISCUSSES AZADEGAN, CHINA SOVEREIGN
WEALTH FUND INVESTMENT

Classified By: Ambassador J. Thomas Schieffer. Reasons 1.4 (b/d)

¶1. (C) Press reports regarding Iran's pumping 20,000 barrels per day from the Japanese-invested Azadegan oil fields are misleading, Inpex Investor Relations Group Manager Hiroshi Ikeda told Econoff February 28. Iran is using seven very old wells that have not been well maintained, Ikeda said, and this production is "not permanent." In addition, Iran does not have the infrastructure or the vehicles to transport the oil over 100 kilometers to the nearest pipeline. Ikeda believes the operation is not economically viable and the Government of Iran is pumping the oil to "save face" after the withdrawal or reduction of non-Iranian firms' share of Azadegan. Inpex, which now holds only a 10% stake in the Azadegan fields, has received no revenue and very little information about the distribution of the 20,000 barrels beyond what has been reported in the press, Ikeda said.

¶2. (SBU) Ikeda shrugged off questions concerning news reports that China's sovereign wealth fund, the China Investment Corporation (CIC), may take a "sizable stake" in Inpex. Upcoming projects will be funded with discounted loans from the Japan Bank for International Cooperation (JBIC), so the company has no need for a "strategic financier," he said. (Note: Ministry of Economy, Trade and Investment (METI) Vice Minister Takao Kitabata on February 25 said METI would keep a close eye on any such investments given Inpex's strategic importance to Japan's oil and gas industry. METI holds a 29% share in the company and has one Special Class share - a so-called "golden share" - which effectively gives the ministry complete veto rights over any management decisions. End Note.)

¶3. (U) Ikeda stated the JBIC loans and the funds freed by the reduction of its share in Azadegan from 75% to 10% are now being invested in Australia's WA-285-P (Ichthys) fields discovered in 2000. Inpex has a 76% stake in the fields which are projected to yield 7.6 million tons of liquid natural gas (LNG) per year beginning in 2012. The company will invest over USD \$10 billion in the project, according to Ikeda.

14. (C) Comment. Ikeda clearly felt no need to defend Inpex's investment in Azedegan as he believes the project is dead with no hope for revival in the foreseeable future. He was also nonchalant about the possibility of CIC acquiring a stake in the company given the ready availability of JBIC loans and the confidence METI will use its "golden share" to block any takeover attempts. End Comment.
SCHIEFFER